

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other				Local Government Name		County	
Audit Date		Opinion Date			Date Accountant Report Submitted to State:		

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☐ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			
Single Audit Reports (ASLGU).			

Certified Public Accountant (Firm Name)				
Street Address		City	State	ZIP Code
Accountant Signature <i>Siegfried Crandall P.C.</i>			Date	

Richland Community Library
Kalamazoo County, Michigan
**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**
Year ended September 30, 2005

CONTENTS

	<i>Page</i>
INDEPENDENT AUDITORS' REPORT	3
BASIC FINANCIAL STATEMENTS	
Government-wide financial statements:	
Statement of net assets	4
Statement of activities	5
Fund financial statements:	
Balance sheet - governmental funds	6
Statement of revenues, expenditures, and changes in fund balances - governmental funds	7
Notes to financial statements	8 - 12
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary comparison schedule - General Fund	13

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Richland Community Library, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of the Richland Community Library, as of September 30, 2005, and for the year then ended, which collectively comprise the Library's basic financial statements, as listed in the contents. These financial statements are the responsibility of the Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Richland Community Library as of September 30, 2005, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

The budgetary comparison schedule, on page 13, is not a required part of the basic financial statements of the Richland Community Library, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the method of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. The Richland Community Library has not presented a management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Siegfried Crandall P.C.

November 14, 2005

BASIC FINANCIAL STATEMENTS

Richland Community Library
STATEMENT OF NET ASSETS
September 30, 2005

ASSETS

Current assets:

Cash	\$ 801,307
Pledges receivable	<u>13,576</u>

Total current assets 814,883

Noncurrent assets:

Capital assets (net of accumulated depreciation)	<u>1,877,484</u>
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Total assets 2,692,367

LIABILITIES

Current liabilities:

Payables	960
Interest payable	3,500
Bonds payable	<u>35,000</u>

Total current liabilities 39,460

Noncurrent liabilities:

Bonds payable	<u>860,000</u>
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Total liabilities 899,460

NET ASSETS

Invested in capital assets, net of related debt 982,484

Restricted for:

Debt service	25,954
Capital acquisitions	13,576

Unrestricted 770,893

Total net assets \$ 1,792,907

See notes to the financial statements

Richland Community Library
STATEMENT OF ACTIVITIES
Year ended September 30, 2005

Program expenses

Culture and recreation:

Library services	\$ 201,343
Depreciation	96,617
Interest	<u>43,242</u>

Total program expenses	<u>341,202</u>
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Program revenues

Charges for services	7,329
Operating grants and contributions	<u>6,914</u>

Total program revenues	<u>14,243</u>
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Net program expenses	<u>(326,959)</u>
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General revenues

Property taxes	297,202
State grants	5,645
District court penal fines	14,862
Unrestricted investment return	<u>14,401</u>

Total general revenues	<u>332,110</u>
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CHANGE IN NET ASSETS	5,151
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NET ASSETS - BEGINNING	<u>1,787,756</u>
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NET ASSETS - ENDING	<u>\$ 1,792,907</u>
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See notes to the financial statements

Richland Community Library
BALANCE SHEET - governmental funds
September 30, 2005

	<u>General</u>	<u>Debt service</u>	<u>Totals</u>
ASSETS			
Cash	\$ 775,353	\$ 25,954	\$ 801,307
Pledges receivable	<u>13,576</u>	<u>-</u>	<u>13,576</u>
Total assets	<u>\$ 788,929</u>	<u>\$ 25,954</u>	<u>\$ 814,883</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Payables	\$ 960	\$ -	\$ 960
Deferred revenue	<u>13,576</u>	<u>-</u>	<u>13,576</u>
Total liabilities	<u>14,536</u>	<u>-</u>	<u>14,536</u>
Fund balances:			
Reserved for debt service	-	25,954	25,954
Unreserved, undesignated	<u>774,393</u>	<u>-</u>	<u>774,393</u>
Total fund balances	<u>774,393</u>	<u>25,954</u>	<u>800,347</u>
Total liabilities and fund balances	<u>\$ 788,929</u>	<u>\$ 25,954</u>	<u>\$ 814,883</u>

Amounts reported for *governmental activities* in the statement of net assets are different because:

Total fund balances	\$ 800,347
Capital assets used in <i>governmental activities</i> are not financial resources and, therefore, are not reported in the governmental funds.	1,877,484
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	13,576
Interest payable does not require recognition in the governmental funds.	(3,500)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(895,000)</u>
Net assets of <i>governmental activities</i> (page 4)	<u>\$ 1,792,907</u>

See notes to the financial statements

Richland Community Library**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
governmental funds**

Year ended September 30, 2005

	<u>General</u>	<u>Debt service</u>	<u>Totals</u>
REVENUES			
Property taxes	\$ 227,970	\$ 69,232	\$ 297,202
State grants	5,645	-	5,645
Charges for services	7,329	-	7,329
Fines and forfeitures	14,862	-	14,862
Investment return	13,556	845	14,401
Contributions	21,113	-	21,113
Other	159	-	159
	<u>290,634</u>	<u>70,077</u>	<u>360,711</u>
Total revenues			
EXPENDITURES			
Culture and recreation	238,919	-	238,919
Capital outlay	6,358	-	6,358
Debt service:			
Principal	-	30,000	30,000
Interest	-	43,355	43,355
	<u>245,277</u>	<u>73,355</u>	<u>318,632</u>
Total expenditures			
NET CHANGE IN FUND BALANCES	45,357	(3,278)	42,079
FUND BALANCES - BEGINNING	<u>729,036</u>	<u>29,232</u>	<u>758,268</u>
FUND BALANCES - ENDING	<u>\$ 774,393</u>	<u>\$ 25,954</u>	<u>\$ 800,347</u>

Amounts reported for *governmental activities* in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ 42,079
Capital assets:	
Assets acquired	43,934
Provision for depreciation	(96,617)
Long-term debt - principal repayments	30,000
Changes in other assets/liabilities:	
Net decrease in deferred revenue	(14,358)
Net decrease in accrued interest	113
Change in net assets of <i>governmental activities</i> (page 5)	<u>\$ 5,151</u>

See notes to the financial statements

Richland Community Library
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Richland Community Library, Michigan (the Library), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governmental units. The following is a summary of the significant accounting policies.

a) Reporting entity:

These financial statements contain only the activity of the Library, a district library pursuant to 1989 PA 24, effective April 2, 1990. The participating municipalities include the Township of Richland and the Village of Richland. The Library derives its principal operating revenues from a township-wide tax levy.

b) Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Library. The effect of all interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

c) Measurement focus, basis of accounting, and financial statement presentation:

The government-wide financial statements are reported using the economic resources, measurement focus, and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Richland Community Library
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the Library.

The Library reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the Library, except those required to be accounted for in another fund.

The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of the Library.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services, or privileges provided and (2) operating grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues includes all taxes.

d) Assets, liabilities, and net assets or equity:

i) Cash - Cash is considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Pooled interest income is proportionately allocated to all funds.

ii) Receivables and payables - In general, outstanding balances between funds are reported as "due to/from other funds." All receivables are due within one year and are considered fully collectible.

iii) Capital assets - Capital assets, which include property, plant, and equipment are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	10 - 50 years
Equipment	3 - 20 years
Materials	5 - 10 years

Richland Community Library
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) Assets, liabilities, and net assets or equity (continued):

iv) Fund equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles. The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the Board is the functional level. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

NOTE 3 - CASH:

Cash consists of the following:

Deposits with financial institutions	\$801,267
Cash on hand	<u>40</u>
Total	<u>\$801,307</u>

Deposits are carried at cost and are maintained at various financial institutions in the name of the Library. Michigan Compiled Laws, Section 129.91, authorizes the Library to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations. The Library's deposits are in accordance with statutory authority. At September 30, 2005, the Library has deposits with a carrying amount of \$801,307 and a bank balance of \$811,316. Of the bank balance, \$303,898 is covered by federal depository insurance and \$409,593 is uninsured.

Custodial credit risk is the risk that, in the event of failure of the bank, the Library will not be able to recover the value of its deposits. The Library has an investment policy that addresses custodial credit risk. As of September 30, 2005, the Library was exposed to custodial credit risk of \$409,593.

NOTE 4 - RECEIVABLES:

Receivables at September 30, 2005, for the Library's governmental funds, are as follows:

Pledges receivable, collectible in current year	<u>\$13,576</u>
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Richland Community Library
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - CAPITAL ASSETS:

Capital asset activity of the Library for the current year was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets not being depreciated - land	\$ 113,815	\$ -	\$ -	\$ 113,815
Capital assets being depreciated:				
Buildings	1,635,800	-	-	1,635,800
Furniture, fixtures, and equipment	217,058	5,664		222,722
Materials	256,474	38,270	42,608	252,136
Subtotal	<u>2,109,332</u>	<u>43,934</u>	<u>42,608</u>	<u>2,110,658</u>
Less accumulated depreciation for:				
Buildings	123,914	36,815	-	160,729
Furniture, fixtures, and equipment	36,964	24,301	-	61,265
Materials	132,102	35,501	42,608	124,995
Subtotal	<u>292,980</u>	<u>96,617</u>	<u>42,608</u>	<u>346,989</u>
Total capital assets being depreciated, net	<u>1,816,352</u>	<u>(52,683)</u>	<u>-</u>	<u>1,763,669</u>
Governmental activities capital assets, net	<u>\$ 1,930,167</u>	<u>\$ (52,683)</u>	<u>\$ -</u>	<u>\$ 1,877,484</u>

NOTE 7 - BONDS PAYABLE:

Bonds payable at September 30, 2005, is comprised of the \$985,000 2001 unlimited tax general obligation bonds, payable in annual installments ranging from \$20,000 to \$80,000, plus interest at 4.25% to 5.00%; final payment is due September 2021.

Long-term debt activity for the year ended September 30, 2005, was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>
2001 general obligation	<u>\$ 925,000</u>	<u>\$ -</u>	<u>\$ (30,000)</u>	<u>\$ 895,000</u>

Richland Community Library
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 7 - BONDS PAYABLE (Continued):

Debt service requirements at September 30, 2005, are as follows:

	<u>Principal</u>	<u>Interest</u>
Year ended September 30:		
2006	\$ 35,000	\$ 42,080
2007	40,000	40,592
2008	40,000	38,892
2009	45,000	37,190
2010	50,000	35,280
2011 - 2015	265,000	143,040
2016 - 2020	340,000	72,690
2021 - 2025	<u>80,000</u>	<u>4,000</u>
Total	\$ 895,000	\$ 413,764

NOTE 8 - RISK MANAGEMENT:

The Library is exposed to various risks of loss due to general liability, property and casualty, and workers' compensation potential claims. The risks of loss arising from general liability up to \$3,000,000 aggregate, building contents and property damage, and workers' compensation coverage are managed through purchased commercial insurance.

REQUIRED SUPPLEMENTARY INFORMATION

Richland Community Library**BUDGETARY COMPARISON SCHEDULE - General Fund**

Year ended September 30, 2005

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Property taxes	\$ 225,584	\$ 225,584	\$ 227,970	\$ 2,386
State grants	5,600	5,600	5,645	45
Charges for services	5,700	5,700	7,329	1,629
District court penal fines	15,000	15,000	14,862	(138)
Investment return	4,750	4,750	13,556	8,806
Contributions	17,467	17,467	21,113	3,646
Other	<u>150</u>	<u>150</u>	<u>159</u>	<u>9</u>
Total revenues	<u>274,251</u>	<u>274,251</u>	<u>290,634</u>	<u>16,383</u>
EXPENDITURES				
Culture and recreation	253,384	253,384	238,919	14,465
Capital outlay	<u>7,000</u>	<u>7,000</u>	<u>6,358</u>	<u>642</u>
Total expenditures	<u>260,384</u>	<u>260,384</u>	<u>245,277</u>	<u>15,107</u>
NET CHANGE IN FUND BALANCES	13,867	13,867	45,357	31,490
FUND BALANCES - BEGINNING	<u>729,036</u>	<u>729,036</u>	<u>729,036</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 742,903</u>	<u>\$ 742,903</u>	<u>\$ 774,393</u>	<u>\$ 31,490</u>